Answers to Key Questions about School Funding in Franklin

January 2022

New Hampshire’s public school system – and the way in which money is raised to pay for it – touches the lives of all Granite Staters, yet can often be difficult to understand. Listed below are a few questions you might have about how schools are funded in Franklin, along with helpful facts and figures in response. After reading them, we hope you’ll have a better appreciation of some of the inequities that plague our school funding system.

What Does Franklin Spend on Public Schools?
How Does It Compare to Other Communities?

The 1998-99 school year was the last school year before the State of New Hampshire, in response to the Supreme Court’s Claremont rulings, increased the amount of aid it provides to pay for an “adequate” education. That year, Franklin spent $4,838 per elementary school student or 81 percent of what the typical (or median) town had spent. In school year 2020-21, Franklin spent $15,951 per elementary pupil or 75 percent of the typical town’s spending level.

The chart on the following page compares spending per elementary pupil in Franklin and the state average for the past fourteen years. As it shows, throughout this period Franklin consistently spent less than the state average. At the beginning of these 14 years, Franklin was spending 78 percent of the state average. In 2020-21, Franklin spent 83 percent of the state average (and 75 percent of the median municipality as noted previously). In other words, since the 2007-08 school year, Franklin has trailed the state as a whole in devoting resources toward meeting important educational needs.
All told, New Hampshire’s public school districts spent $3.3 billion during the 2020-21 school year. Of that amount, 40 percent was dedicated to regular classroom instruction, 21 percent to other educational programs (including special education and vocational instruction), 11 percent to administration, and the remainder was devoted to transportation, food services, and other purposes. Franklin’s total school spending was $16.9 million but was allocated somewhat differently: 34 percent was for regular instruction, 21 percent for other educational programs, and 11 percent for administration.

How Many Students Are Enrolled in Franklin’s Public Schools?

Average Daily Membership in Residence (ADM/R) is one way in which enrollment is measured. It measures the number of students residing in a school district. Overall in New Hampshire, ADM/R has been in slow decline in recent years. In Franklin, the decline has been 23.5 percent since 2006-07. The chart to the right displays enrollment trends for pre-K through middle school (pre-school, kindergarten, elementary, and middle grades) and for high school for Franklin for the past fifteen years. During this
period, the total of pre-K, kindergarten, elementary, and middle students fell 18.5 percent, while the number of high school students declined by 34.4 percent.

How Does Franklin Pay for Public Schools?

The graph at right shows all of the various revenue sources that Franklin uses to pay for its public schools, measuring them on a per pupil basis. It also compares Franklin’s revenue sources to the New Hampshire average. As it shows, while local property taxes are the single largest source of revenue for public schools across the state in the aggregate, state adequacy aid constitutes the principal revenue source in Franklin.

During the 2020-21 school year, Franklin School District’s total school revenue was $17,948 per pupil, 16 percent below the state average of $21,288. Local property taxes provided $4,453 or 25 percent of that overall amount. Franklin generated less revenue per pupil from property taxes than the state average, but received more state adequacy aid than average.

How Do Franklin’s Property Tax Rates Compare to Other Communities?

1998 was the last tax year before the state responded to the Supreme Court’s *Claremont* rulings and introduced new aid to pay for an “adequate” education. That year, Franklin’s equalized property tax rate for its schools was $20.17 per $1,000 of property value. This rate was above that in the typical town – it amounted to 108 percent of the rate for the median town in the state. In 2020, the equalized school property tax rate in Franklin was $7.20 per $1,000 of value (a $5.53 local tax rate plus a $1.67 state tax rate, which is retained by the town). This total tax rate was considerably lower than the typical town – 55 percent of the state median. Like many other towns, Franklin’s equalized tax rate for schools in 2020 was much lower than it was in 1998.
So, since 1998-99, Franklin’s spending per elementary student has declined slightly, from 81 to 75 percent of the typical town. Over the same period, its equalized tax rate has decreased from 108 percent of the median town in 1998 to 55 percent in 2020. Stated slightly differently, Franklin has seen its position relative to the typical town drop over time, both in terms of spending per student and when it comes to the tax rate it uses for schools.

How Do Property Values in Franklin Compare to Other Communities?

The most important statistic that relates the ability of different towns to raise taxes for the purpose of their schools is Equalized Property Value per Pupil or EQVP. EQVP essentially provides an answer to the question, “What resources are available to be taxed in our town for each of the kids in our schools?” The higher a town’s EQVP, the lower the school property tax rate it needs to use to generate a set sum of money.

In 2020, Franklin had $808.2 million of equalized property valuation and 1,003 students (as measured by average daily membership in residence or ADM-R). This means that Franklin’s EQVP that year was $805,637. The state average EQVP was $1,364,912. Franklin had 59 percent of the state average, but only about 24 percent of Portsmouth’s EQVP, meaning that its capacity to generate revenue for its schools was well below that of other communities.
These differences in property values help to explain where Franklin’s tax rates fall compared to other cities and towns. Think about it - if Franklin and Portsmouth had to raise the same amount of revenue per pupil for their schools, Franklin’s school property tax rate would have to be 4 times higher than that of Portsmouth.

Of course, that is not what happens. Portsmouth raises $20,577 per pupil with only a $6.10 equalized school tax rate, while Franklin can only raise $5,651 per pupil with an equalized school tax rate of $7.20.

To better understand the impact those differences can have, imagine a classroom of 20 students. Franklin raises $298,514 less for each classroom of that size than Portsmouth does at a tax rate that is 1.2 times that of Portsmouth. And will continue to do so year after year.

Clearly there is not a level playing field when it comes to the ability of towns’ property tax bases to support their schools.

What About Franklin is Unusual?

Most old mill towns in New Hampshire are property poor and must impose high property taxes to fund their schools, even with considerable state aid. Franklin is one of those old mill towns, but its school funding situation is unique.

A municipal tax cap was enacted in Franklin in 1989, the first in New Hampshire. This addition to the city charter has limited annual increases to the annual percentage increase of the “National Cost of Living Index.” This cap applies to the sum of school and municipal taxes. This has clearly been responsible for some of the decline of Franklin vis-à-vis other towns in the funds it can raise for its schools, from 108 percent of median in 1999 to only 57 percent in 2017.

However, based on an analysis of data that were available as of 2017, the tax cap itself may not be the most important factor. (More recent data should be incorporated into any updated analysis.)

There are 13 cities in New Hampshire, of which Franklin is one. As of 2017, Franklin’s equalized tax rate for its schools (local plus state) was only 66 percent of its rate for city services. That same year, the average rate in the other 12 cities was 141 percent of their rate for city services.

Because Franklin had the smallest population among the cities, it can be argued that a comparison to the other cities is unfair. In addition to Franklin, there were 6 other municipalities with populations between 8,000 and 9,500 in 2017. Again, at that time, Franklin’s equalized tax rate for its schools (local plus state) was only 66 percent of its rate for city services. The average rate in the other 6 municipalities of similar population was 398 percent of their rate for town services.
Franklin’s property tax collection per capita for its schools was only $578 in 2017, the lowest among similar sized municipalities and the two other smallest cities. At the same time, its property tax collection for municipal services was $879, the highest. This comparison is shown in the table on the next page.
Clearly, Franklin prioritizes its municipal services over its schools in a way that no other New Hampshire city and no other similarly sized town does.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Population</th>
<th>Local school tax plus SWEPT</th>
<th>School property taxes per capita</th>
<th>Equalized tax rate for schools</th>
<th>Municipal Taxes</th>
<th>Municipal property taxes per capita</th>
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</thead>
<tbody>
<tr>
<td>Franklin</td>
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</table>

The table above uses 2000 as the base year in order to avoid the effect of the first year of “Adequacy” aid in 1999. The changes shown in the table are not caused by that important state policy shift.

It was not always this way. It has evolved over time.

From 2000 through 2017, the municipal budget grew faster than the school district budget. Property taxes for city services grew 114.9 percent over that span, while school property taxes were only 21.9 percent greater in 2017 than they were in 2000.

The following chart does include the pre-Claremont years and the shows the beneficial effect of the additional state aid for public schools that followed the Claremont decisions by the NH Supreme Court. Between 2002 and 2011, however, the school share of property tax funding relative to the municipal tax was in sharp decline. That decline leveled out between 2011 and 2017, but school taxes remain very unusually well below municipal taxes.
While the tax cap has limited Franklin’s ability to raise money for its schools, the highly unusual distribution of the taxing power between school and municipal services is probably the larger cause of Franklin’s school funding problem.

Note: Data used in this report are taken from reports and spreadsheets of the NH Department of Education (Equalized Valuation per Pupil, Cost Per Pupil by District, Average Daily Membership Based Upon Attendance and Residence (ADM), Average Class Size By School, and DoE25 Extract for State Profile Data for various years). Such data are reported by New Hampshire school districts to the Department. Tax rates printed on town tax bills are not equalized and cannot be compared among towns. Using equalized data allows an apples-to-apples comparison among town tax rates and property values.